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ABSTRACT

The role of the state in funding California's community colleges may change in the wake of Proposition 13 cutbacks. Any system of statewide support must be developed around several assumptions: (1) state support will increase; (2) the college mission will remain unchanged; (3) educational demand will continue to play a substantial role in how the colleges are funded; (4) costs will continue to rise; and (5) equal opportunity must be maintained. Several legislative bills were introduced to resolve the loss of local tax support which have potential effects on historical traditions of apportionment, local tax advantage options, open access, and student aid policies. Optional financing plans call for either full state support or shared state and local support. Each option has advantages and disadvantages. Arguments in favor of full state support are generally based on maintaining the philosophical and legal principles of local control, open access, no tuition, and comprehensiveness. Arguments for shared support focus on the ideas that a greater local tax can be justified by the significant amount of benefits accrued locally, and that tax encourages strong local commitment. Additionally, a shared system of support is designed around the local option concept which offers incentives for districts to find additional sources of income. (MB)

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FINANCING COMMUNITY COLLEGES IN THE WAKE OF PROPOSITION 13: THOUGHT AND SUGGESTIONS

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Financing Community Colleges in the Wake of Proposition 13: Thought and Suggestions

Introduction

Financing California Community Colleges is, and has been for some time, a "hot" issue. Why? Primarily, because the costs of education has increased considerably since the mid 60's, but also because the desire to attend a community college instead of another post secondary public higher education institution has likewise flourished.

In the aftermath of the taxpayers' revolt, we are now faced with the question of "how to adequately finance California Community Colleges without changing their mission or causing the other two segments of public higher education to suffer adversely?" My attempt to answer this question will not be so ambitious as to solve the problem of community college finance. I will, however, endeavor to lay out what I believe to be a number of issues related to differential responses and consequences of selected financial plans aimed at community college finance.

I. Background

Financing California Community Colleges grew out of a larger system of K-12 finance, which still exists, in part, today. Although community colleges in California have been considered postsecondary institutions since the Master Plan, they have enjoyed the financial benefits of both sectors. Mainly, postsecondary recognition with K-12 fiscal funding mechanisms (e.g., apportionment). There are two questions that need to be answered before a financial plan can be developed to finance the state's "two-year college system." First, "will the State continue to fund community colleges on an apportionment basis?" Whether it results in ADA, FTE, workload driven, or another reimbursement technique. And second, "how will costs be handled in determining total, as well as aggregate funding for the system?"

II. Assumptions

Any system of statewide support for community colleges must be developed around several assumptions.

1. State support for community Colleges will increase. Question: Can State support be substained at $\geq$ 65%?
2. The mission, as described in the Master Plan, Education Code, and by other lobbying groups, e.g. CCJCA, will basically remain unchanged. Question: What effect will differential fiscal strategies have on incremental changes in the mission of community colleges?
3. In the past, the market has, and will, continued to play a substantial role in how community colleges are financed. Question: How will fiscal and governance policies allow for ongoing market fluctation? (e.g. demand for programs, support per students)

4. Cost will continue to rise. Question: What will be the relative role of the State's General Fund, taxes (both local and State), tuition, and business and industry in supporting these costs?
5. Equity: be it equal opportunity (e.g. equal access) educationally, culturally, or economically disadvantaged, it must be maintained. Question: At what cost? Likewise, at who's expense? (e.g., euqalizing funding, such as Serrano or equal access Bakke).

III. Selected Financial Strategies

The onslaught of the public's financial revolt brought about financial plans which took on various directions. Over and beyond the intent of these directives, financial strategies, regardless of their final outcome, will all have differential effects on how community colleges are financed, governed, and, like it or not, changed!

A. Legislation

While several bills were introduced before the Senate and Assembly to resolve the loss of local taxes, to date, only two (Rodda & Green) are being given serious consideration. Holmdahl, often referred to as the Governor's bill, was eliminated because of its piecemeal attempt to offer financial solutions and also because it added an additional dimension of "tuition" for students attending California Community Colleges. This addition, in my opinion, has a number of different effects (e.g., access, student aid policies) that remain relatively unresolved. And Dills fell by the wayside, (SB-234), as far as I can summarize, because (1) it was short term, and (2) it did not base its

A. Legislation (Continued)

fiscal policies soundly around the goals and for better or worse; "unique" mission of California Community Colleges (e.g., Dills basically called for K-14 funding with a separate funding formula for community colleges). Additionally, the Dills bill would have likely increased rather than vice versa, the competition between community colleges and secondary schools over areas already causing conflict (e.g., adult education and vocational education) throughout the State.

Of the two bills remaining, (Rodda SB-186) and the Vasconcellous/Green Bill (AB-8), I believe Green's bill comes close to matching fiscal initiatives to the operational goals of California Community Colleges. Although Green prescribes a new revenue limit for community colleges (to be adjusted annually for inflation), it also incorporates separate funding for community colleges, based on the notion of apportionment, which is histroic and most treasured in California. Rodda's legislation, on the other hand, includes community colleges in a bill with a number of other - not necessarily related - public agencies, e.g., cities, counties, school districts, etc.

Historically, California Community Colleges have been able to excel in this State primarily because of the "local option" (tax advantages) and their "uniqueness" (fiscal policies). Green's legislation appears to carry on this tradition. Whereas, Rodda would likely increase competition at the local level for revenue which is already considered marginal. It is very possible that the Rodda bill, as amended by Vasconcellous

A. Legislation (Continued)

(1543), has more political support. Primarily, because it is more inclusive. But I doubt that any long term piece of legislation will be evaluated and enacted before the new fiscal year of July 1, 1979. Therefore, it appears that bailout in the form of SB-154 or some other means is inevitable for the 1979/80 fiscal year. The question now becomes: What long-term financial plan(s) are most likely for community colleges? And, what effect will they have on the system at large?

B. Optional Financing Plans

As I see it, there are two optional fiscal strategies for funding California Community Colleges. One which calls for full State support (e.g. Florida and other states), and the other which supports partial or shared State and local support.

1. Full State Support

The vast majority of the "pro" arguments in "support" of funding community colleges are based around its "unique mission". In a summary mission statement by the California Community & Junior College Association to their Board of Directors, they highlight their concerns in the following statement: "The California Community Colleges have flourished under a system based on four philosophical and legal principles; local control, open access, no tuition, and comprehensiveness. Consideration of the future of the colleges must be based on a continuing commitment to these concepts."[1] While this statement does not assume that full State support would "change" the general intent of the community colleges, it does draw attention to that distinct possibility.

B. 1. Full State Support (Continued)

What consequences might one expect from full state support of California community colleges? First, and foremost, would be increased centralization of support mechanisms, allocations, and budget reviews. Some would argue that community colleges' budget cycle would mirrow those cycles of the state colleges and universities in the State. The rationale being based more on simplicity than any legitimate attempt to address the "needs" of the system. Still others would cite that other state systems (e.g., Mississippi, Florida) have operated at "no loss of control" with the addition of (Full) state support. Regardless of other states, it is this author's opinion that in California changes would occur.

For instance, some initial consequences of full state support might, depending on whether funds were FTE or headcount based, include: (1) lack of equitable system wide renumeration between inner city districts, suburban areas, or rural towns, (2) maintenance of effort inclusions which would tend to support older districts and penalize younger ones, (3) loss of local "control", at least as it refers to tax options, but not necessarily decision making - consider Florida, (4) normative, as opposed to "cost" or "need" generated, budgets, (5) growth of bureaucracy, as it relates to program and capital outlay expenditures (noting that prior to Proposition 13 the Board of Governors of California Community Colleges, for the most part, rubber stamped new programs along as they appeared to have sufficient revenues built into budgets to cover their costs), and (6), more Capital Hill accountability surrounding issues of cost, growth, and revenue control (e.g., Cheit's "What Price Accountability" notion).[2]

B. 1. Full State Support (Continued)

The effects of a full state support system would clearly need to be considered in the aggregate (district and campus levels) to be fully understood. Nevertheless, speculation around several to-be-expected general outcomes might include (1) more selective admissions criteria as Pat Cross[3], et.al. suggest, (2) the "bargain", e.g. collective bargaining, moving upward to a regional or state level board, (3) a tendency on the part of districts to develop low cost, high enrollment programs regardless of the need, especially if head count remained a main criteria for funding, (4) prolonged periods of program approvals, appraisals, and subsequent funding, (5) as CPEC[4] recommends in their paper on community college finance (p.10) ".....establishing the statewide needs of the community colleges.....", and (6) increasing the likelihood of charging tuition. Full state support would tend to generate revenue and fund the system based more on a system of statewide priorities than any specific aggregate need. That is, how all segments of higher education "ought to look" rather than how to equip each segment, and district in the case of community colleges, with the necessary revenues to respond to their individual needs.

2. Shared Support System

Arguements for shared support, at least in California, can be summarized, at least in part, by a statement made by the Task Force in their "Community College Long-Term Financial Plan." They argue, "A greater local property tax share can be justified by the facts that a significant amount of college benefits accrue locally and that the tax encourages

B. 2. Shared Support System (Continued)

strong local commitment."[5] The proof is in the pudding now that local revenues will no longer constitute 47% of their budgets.

Share and/or partial funding has two basic ingredients. They are: General Aid (be it block grants of Base budgets) and Matching (e.g., taxes, local contracts, etc.). It is my contention that this system of support provides for and maintains the primary traditions of California Community Colleges. Indeed, it also allows for historical differences between the other two segments of higher education which continues to be a goal of the legislature. Accordingly, it leans towards supporting demand considerations (students desiring programs and classes) while it may, disproportionately, because of local tax options, cause the other two segments to suffer. (NOTE: A recent CPEC nationwide salary study shows that California Community College instructors salaries are ranked second in the state behind U.C., but before state colleges.[6]

Another report by the California Department of Finance entitled "Long-Term Solutions to Proposition 13," proposes "that state funding would be added through a Budget Act appropriation so that the total increase in general aid funding for community colleges districts would be 6% in 1979/80 and would result in a State-local share of approximately 50-50." Thereafter, community college funding would be converted to funding on a full-time equivalent (FTE) base...". This year's state-local bailout funds for Community Colleges were 65% and 24% respectively. Question: Would the State's Budget Act appropriation provide a clause that allowed local

3. 2. Shared Support System (Continued)

districts to make up this deficit by a 2/3 vote of the electorate as the Board of Governors Task Force recommends? If not, other revenue sources (e.g., local contracts with business, industry, government - CETA, etc.) would have to play a much larger role than in the past.

Next is the question of equalization of wealth among districts. In the past, property tax and local overrides played a significant role in how districts compared on programs, reserves, and the like. As state support increases, which it certainly must do, local options will become somewhat watered down. Implicit in any overall financing plan for community colleges must be the idea of "equalization". Mainly to assure that districts budget levels are a function of their taxing efforts and not property values. Attempting to live within the limits of restricted local revenues can be eased somewhat by statewide fiscal strategies sensitive to individual district needs. This suggestion is offered here without going so far as to suggest, as others have, that districts might be funded individually. This, in my opinion, would be a disaster for the system at large. Moreover, if the Vasconcellous bill for part-time, pro-rata pay for instructors passes, some districts or campuses may fall by the wayside if funded individually. Considering that NCES data shows that part-time instructors account for approximately 40% (plus) of the total staff of community colleges in California.

III. Summary Remarks

For my part, I will go on record supporting some partial or shared system of support for California Community Colleges. Primarily because the system at large (historically and functionally) has been designed around the "local option." To abruptly change this fiscal strategy would probably be much more costly (at least in the short-run), and have longer term cost effects in other areas (e.g., state welfare, related policies.) Appropriately, the next question is one of how can local revenues be replenished? Some have supported ear-marking sales taxes for community colleges. Others have called for tuition. And then, there are those (e.g. CPEC) who suggest equalizing, via some statewide formula, the funding of California Community Colleges throughout the state and permanently including the community colleges as participants in the Capital Outlay Fund for Public Higher Education (CPEC, 2/79). Regarding CPEC's proposal, this author would piggyback on an argument presented many times by Howard Bowen. Mainly that control and autonomy is enhanced when an institution enjoys a variety of financial sources. Therefore, any shared fiscal policies must incorporate (1) incentives for districts to go after additional local revenues, and (2) legislation that encourages this flexibility.

Some revenue sources might include (1) a percentage of local sales or property taxes available to community colleges, (2) increasing student fees, particularly for foreign students and high cost programs, (3) charging for non-credit courses within a sliding scale based on ability to pay. (NOTE: This is a sensitive area and one must not make the mistake that Los Angeles Community

College District made after Proposition 13, namely, charging fees for the first time and experiencing a 75% drop in enrollment.) Any change in the current non-credit fee structure must be incremental, not abrupt, and (4) in time - tuition. But here again this must be a strategic as compared to a tactical change in the system, which carefully considers matters of equity, access, comprehensiveness, local control and selected market indicators if across-the-board charges are levied.

In the long run, various and competing demands on the State's General Fund will cause the state to scrutinize, even closer, the use of these funds. The ability of California Community Colleges and their advocates to "hold onto" their unique role in California's system of public higher education will determine, to a large extent, their funding levels.

Footnotes

1 Messersmith, Lloyd E., Summary of the Mission Statement, working paper presented to the members of the California Community and Junior College Association at a meeting of the Delegate Assembly held on November 13, 1978, Sacramento, California.

2 Cheit, Earl F. "What Price Accountability," Change Magazine, November, 1975.

3 Cross, Patricia K., Community Colleges at the Crossroads, paper prepared for the Southern and Northern California Community College Division Chairperson's Conference, Santa Ana, California, May 10, 1979.

4 Callan, Patrick M., Director, California Postsecondary Education Commission (CPEC), Community College Finance in California After Proposition 13, paper prepared for the March 1, 1979 Commission meeting, February 13, 1979.

5 Board of Governors of the California Community Colleges, Community College Long-Term Finance Plan, proposed by a Task Force on Community College Finance, Chancellor's Office, January 15, 1979.

6 California Department of Finance, A Long-Range Solution to Proposition 13, Sacramento, California, March 6, 1979

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